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THE Demand and Price SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
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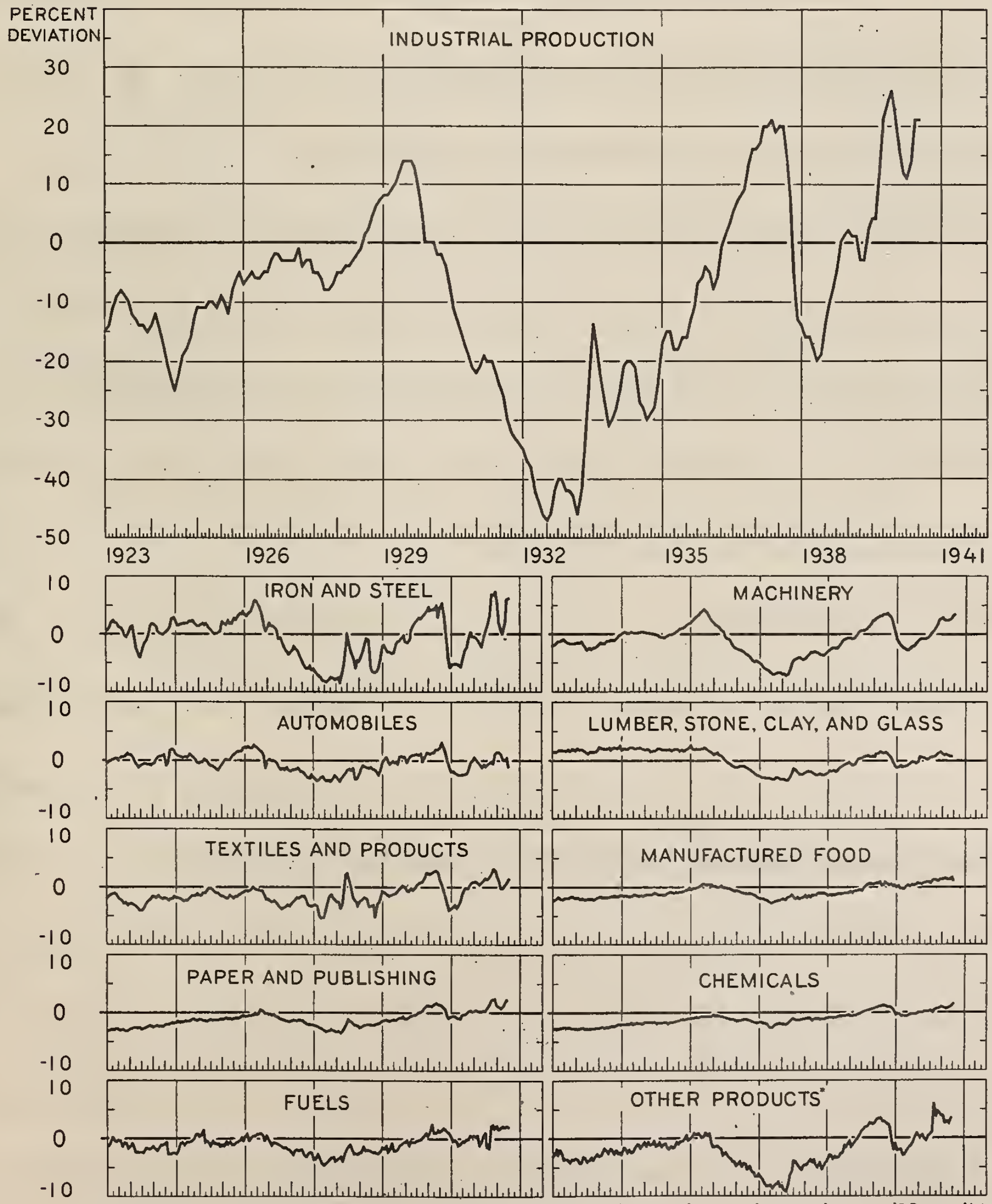
CONTRIBUTION OF INDIVIDUAL INDUSTRIES TO CHANGES IN FEDERAL RESERVE INDEX NUMBERS OF INDUSTRIAL PRODUCTION, UNITED STATES, 1923-40

(1935-39 = 0)



THE CONTRIBUTION OF INDIVIOUAL INDUSTRIES OR COMMODITIES TO FLUCTUATIONS OF THE NEW FEDERAL RESERVE INDEX OF INDUSTRIAL PRODUCTION OEPENDS UPON: (1) THE CHANGE IN OUTPUT; (2) THE WEIGHT IN THE INDEX. IN THE LOWER SECTIONS OF THIS CHART, THE INFLUENCE OF BOTH OF THESE FACTORS HAS BEEN COMBINED. THE DEGREE OF FLUCTUATION IN THE LINES REPRESENTING THE SEVERAL INOUSTRIES INDICATES THEIR RESPECTIVE CONTRIBUTIONS TO THE TOTAL VARIATION OF INDUSTRIAL PRODUCTION. THE ALGEBRAIC SUM OF THE MONTH TO MONTH CHANGES IN THE INDIVIDUAL LINES IS EQUAL TO THE NET CHANGE IN THE INDEX.

*OTHER PRODUCTS: AIRCRAFT, RAILROAD EQUIPMENT, LOCOMOTIVES, SHIPBUILDING, NONFERROUS METALS, FURNITURE, LEATHER, ALCOHOLIC BEVERAGES, TOBACCO, PETROLEUM AND COAL PRODUCTS, RUBBER PROOUCTS, AND METALS.

U.S. DEPARTMENT OF AGRICULTURE NEG. 38583 BUREAU OF AGRICULTURAL ECONOMICS

SUMMARY

The demand for farm products by consumers has been increasing in recent months as general business conditions and purchasing power have picked up. This has more than offset unfavorable developments in the export situation, and prices received by farmers advanced moderately in August and September. Industrial production is expected to show some additional improvement during the remainder of this year, and probably will be about as high by the year-end as it was at the end of 1939. Industrial production for the year as a whole is expected to show an average gain of about 10 percent over 1939. Industrial workers' incomes rose more slowly than industrial production during the May-June advance, but continued to improve after the halt to the upward trend in production in June.

The general export outlook for farm products remains very unsatisfactory even though it is possible that Great Britain, because of the difficulties of maintaining plant operations and storage supplies under the stress of intensified German air raids, may turn to the United States for increasing amounts of processed farm commodities.

Wholesale commodity prices in the United States have advanced moderately since mid-August, rising about 3 percent. Government purchases for defense have been an important price influence in some lines, but private buyers also have increased their buying activity, partly in response to improved consumer demand. Price advances after mid-August included a wide range of industrial raw materials and finished goods, but the largest gains were in farm and food product prices. Wheat prices rose sharply, and there were substantial advances in livestock and meat prices. Growing defense needs, increasing consumer purchasing power, expanding exports of several important industrial products, and apparently increased confidence on the part of businessmen indicate the probability of a further moderate gain in wholesale prices during the last quarter of 1940.

Largely as a result of higher farm prices than in August, income from farm marketings in September probably will increase more than is usual, but will be little if any higher than a year earlier; Government payments to farmers also will be larger than in August but will be considerably less than the September 1939 payments. Prices received by farmers rose in relation to prices paid in August and probably will show a further relative gain for September.

- September 17, 1940

The situation by commodities is as follows:

Wheat: The low price for the season was probably reached on August 16, a month ago. A large proportion of arrivals continue to go into storage. The price of hard winter at Kansas City is now only about 4 cents below the Government loan value, but the price of spring wheat at Minneapolis still remains about 11 cents below.

Cotton: A decline of about (3/5) cent in domestic spot prices since mid-August reduced the 10-market average to (9-2/5) cents on September 14. This was still a little higher than a year earlier and slightly above the Government loan rate. The indicated crop, and in turn the supply, increased about 1-1/3 million bales during the past month. Domestic mill activity increased in August and early September with further increases expected. Exports are running 2/3 to 4/5 below a year earlier, reflecting both the reduced number of accessible markets and increased competition from foreign cotton.

Feed grains: The indicated production of all feed grains increased during August, and the September 1 indicated 1940-41 supply is 116 million tons, or only slightly smaller than that of last year. Excluding the probable quantity of corn that will be under seal or held by the Government on October 1, the supply will be well below the corresponding supply for last year and also below the 1928-32 average.

Hogs: Hog marketings are beginning to increase seasonally, and this increase will continue during the next 3 months as the market movement of spring pigs gets under way in large volume. Hog prices weakened slightly in early September after a substantial rise in August. Hog slaughter decreased seasonally in August.

Beef cattle: Slaughter supplies of cattle have increased seasonally since June, and some further increase will take place during September

and October as the fall movement of western cattle gets under way. Prices of all grades of slaughter cattle advanced during August but the spread between the upper and lower grades has widened considerably since June.

Lambs: Slaughter supplies of lambs are expected to be larger this fall than last, and it is likely that fewer lambs will be fed in the Corn Belt and western feeding areas this fall and winter than were fed last season. Lamb prices advanced in August but weakened a little in early September.

Wool: Domestic wool prices in the next several months will be supported by strong demand for wool in this country as Government orders are filled for clothing and blankets for military use. But with imports entering the United States in relatively large quantities, domestic prices during the next several months will depend to a considerable extent on prices of imported wool. With the taking over of the wool output of the Union of South Africa, announced in August, the British Government now has control over a major portion of the world's export surplus of wool. Relatively large supplies of apparel wool will be available to United States buyers in Argentina and Uruguay.

Butter: The seasonal rise in prices of dairy products during the remainder of the year will probably be later than usual because of the small decline in milk production from August 1 to September 1. Total supplies of butter for the current out-of-storage season, September 1, 1940 to May 1, 1941, will probably be about the same as for the 1939-40 season. Stocks on September 1 were lower than a year earlier, but production is expected to be larger. With a higher level of general business activity in prospect than a year ago it seems probable that butter prices during the current out-of-storage season may average as high as in the same period of 1939-40, if not higher.

Poultry and eggs: The price received by farmers for eggs in mid-August was slightly lower than a year earlier, whereas chicken prices in August were higher than a year earlier for the first time this year. With smaller supplies and stronger demand for both products in prospect, prices probably will continue to rise relative to prices a year earlier. Supplies of turkeys this fall may be smaller than a year earlier; prices received by farmers may be little different from those in the 1939 season.

Oilseeds, fats, and oils: Supplies of domestically produced fats in the 1940-41 marketing season are expected to be slightly less than the large supplies of 1939-40. But demand probably will be stronger. However, no substantial increase in prices is likely to develop so long as the blockade of continental Europe is continued. With an increased domestic supply of cottonseed,

reduced exports of cake and meal, and increased supplies of peanut and soybean products, cottonseed prices probably will average lower this season than last. The 1940 flaxseed crop is of near record size. Indications are that cash income from the increased marketings this season will be larger than in 1939-40, despite the possibility that flaxseed prices may average lower than a year ago.

Fruit: Fruit crop prospects showed little change during August, and as of September 1 the production of 8 important deciduous fruits is indicated to be about 13 percent below that of 1939. Citrus fruits, however, show prospects of larger crops than a year earlier.

Potatoes: Prospects for late potatoes improved during August. As of September 1 the late crop is indicated to total 298 million bushels or about 8 million bushels more than was indicated a month earlier.

Truck crops: Weather conditions during August were favorable for the development of late truck crops. As a result, the output in those areas supplying the markets in September is slightly larger than a year earlier and about 16 percent above the 10-year (1929-38) average.

Rice: The prospective United States rice crop was reduced about 5 percent by the storm in August. The southern supply for 1940-41 is estimated to be about the same as the large supply last year, while the California supply may be a little larger than that of 1939-40.

DOMESTIC DEMAND

Conditions affecting the domestic demand for farm products are expected to improve moderately during the remainder of 1940. The index of industrial activity, which has moved sidewise during most of the summer, apparently is resuming the advance which between April and June carried the new Federal Reserve index of production up from 111 to 121 percent of the 1935-39 average. The income of industrial workers, as usual lagging behind the changes in factory output, did not advance so rapidly between April and June as industrial activity; but such income, according to latest reports, continued to rise after June despite the pause in manufacturing operations. Further gains in the purchasing power of consumers are in prospect, and by the end of this year industrial workers' incomes may be around the post-depression peak reached in 1937, or about the average for the 1924-29 period.

The outlook for some additional improvement in industrial activity in 1940 is based largely on the cumulative effect of the expanding defense program, the timing of production on the 1941 automobile models, Government buying and other factors pointing to a high rate of activity in the textile industries, the prospect for less than the usual seasonal contraction in residential building, and the recent strength in commodity prices which, if

not interrupted more than temporarily by an unfavorable turn of events in Europe, may cause business men to adopt less cautious policies than those followed recently in their buying operations.

The defense program is already having a stimulating effect on various industries, particularly textiles, iron and steel, transportation equipment, ship building and plant construction. Preparation for the handling of a greatly enlarged military force in the near future will affect many lines of business such as are necessary in supplying lumber for the building of cantonments, light equipment of various kinds, and uniforms. Work on the production of heavier equipment is still mainly in the preliminary stages, but plant expansion incident to such preparation will make for earlier stimulation of business than actual progress in producing finished equipment might indicate.

The improvement generated by these factors in the situation, of course, might be offset by unfavorable developments in Europe. Termination of present hostilities no doubt would have at least a temporarily depressing effect on business sentiment, and would result in some alteration of buying policies pending clarification of the situation. Eventually, the development of the defense program would more than offset the effects of any loss of exports to Great Britain due to the termination of the war, but meanwhile there might be a substantial let-down in domestic buying as well as in the export of war materials.

In the absence of such unfavorable European developments, the demand for farm products should continue to strengthen during the remainder of the year, particularly for those commodities which are consumed domestically, such as dairy products and meats.

EXPORT DEMAND

Exports of United States farm products in recent years have been divided roughly one-third each to the United Kingdom, to continental Europe, and to all other countries. The continental European market has been cut off since June, and exports of farm products to the United Kingdom are under strict war-time regulation; as a result, in July only one-third of the agricultural exports from the United States went to Europe. The outlook for exports of farm products, therefore, on the whole continues highly unsatisfactory, although the cutting off of former European sources of supply for some important food products and damage to processing plants and storage houses from air raids may result in increased British purchases of some kinds of United States farm products, particularly lard, canned goods and other processed foods.

In July, the first full month during which continental European markets were closed to United States products, exports of some important farm products - for instance cotton, leaf tobacco, and lard - were as large as or larger than a year earlier. This, however, is not due to any permanent stimulation resulting from the war. Farm products showing substantial export losses in July 1940 as compared with a year earlier included wheat, fresh fruit (both deciduous and citrus), dried and canned fruits, pork, and soybeans.

The closing of European markets to United States products is not nearly as serious in regard to nonagricultural as to agricultural products. In

recent years Europe has taken only about one-third of our nonagricultural exports; in July 1940 Europe took 39 percent of our industrial exports, 88 percent of the total going to the United Kingdom. Furthermore, decreased competition from former European sources of supply has had the effect of increasing our nonagricultural exports to Latin America and to other areas, whereas these areas for the most part do not need our agricultural products. Increasing difficulties of finding the means of paying for purchases from the United States will be encountered by Latin American countries because of the loss of export markets for their farm and mineral products.

As long as continental European markets were open to United States products the effects of increased exports of nonagricultural products on domestic buying power were an offset, at least in large part, to the results of the adverse effects of the war on exports of many farm products; but the closing of continental European markets, which ordinarily take one-third of our farm product exports, is an additional loss to farmers the effects of which cannot be similarly offset. Cotton, tobacco, fresh deciduous fruits, and soybeans are among the export products affected importantly by loss of continental European markets.

WHOLESALE COMMODITY PRICES

Since mid-August wholesale commodity prices have advanced moderatly, the Bureau of Labor Statistics daily index of prices of 28 basic commodities advancing about 3 percent in the monthly interval. The 27 percent rise in these basic commodity prices which occurred in September 1939 immediately following the outbreak of the war in Europe was followed by a gradual downward movement, interrupted occasionally by war developments. By mid-August this decline had resulted in cancellation of four-fifths of the September 1939 rise.

The recent rise in commodity prices, although halted at least temporarily by intensified aerial war activity, appears to be an outgrowth of economic developments so fundamental as to impart more significance to the strength than if it had been induced by another surprise war development. Commodity purchases under the domestic defense program are becoming increasingly important, public contracts in connection with defense have become a dominant factor in construction contract awards, consumer purchasing (as measured by department store sales) has surged upward to the highest point in more than 9 years, and success so far of the British in meeting intensified air raids has dissipated somewhat the nervousness engendered by the possibility of an early and unfavorable end to the hostilities. Also, the orderly character of the recent advance in prices is suggestive of more considered buying policies than were the more spectacular price movements a year earlier.

It has been quite obvious for the past year that (barring an end to the present war in Europe) there was but a remote probability of any considerable decline in wholesale prices of nonagricultural commodities. Conversely, it was obvious that at least a moderately rising trend was probable, once readjustment from the sharp advances of September 1939 was completed. More recently the domestic defense program has increased the probability of some rise in industrial commodity prices. The outlook for prices of some farm commodities is not equally favorable because prices of several of the more

important ones have been maintained above competitive levels by Government programs (export subsidies, loan, and surplus removal programs), and improvement in domestic demand will therefore not be reflected in higher prices for some of these farm products as early or as much as it otherwise would be.

Early termination of the present war in Europe might have a depressing effect on prices of some commodities, such as copper, which have retained a part of their former export outlets. The generally depressing effect on business sentiment and buying policies also might temporarily cause a weakening in prices of some products consumed domestically. In the absence of such unfavorable European developments, moderately rising prices during the remainder of 1940 are likely for numerous farm and industrial products.

PRICES RECEIVED AND PAID BY FARMERS

Price changes in wholesale markets since mid-August indicate a gain of around two points in the index of prices received by farmers. A rise of the size suggested by these preliminary indications would bring the index of prices received to around 98 percent of the 1910-14 average, about the same as in September 1939.

Price advances in September were confined largely to the groups of farm products which are sensitive to changes in domestic consumer demand, such as meat animals, dairy and poultry products, and citrus fruits, although there was some advance in wheat prices and in prices of a few minor income-producing products. These price gains were more than sufficient to offset declines in prices of cotton and some fruits and vegetables.

In August the general index of prices received by farmers rose to 96 percent of the 1910-14 average from 95 in July. In August 1939 it was 88, but advanced to 98 in September, following the outbreak of war in Europe. The ratio of prices received to prices paid by farmers in August 1940 was 79 percent of the 1910-14 average. This was a gain of one point from July and was five points higher than in August 1939. Some further rise in the ratio probably will be reported for September.

FARM INCOME

Cash income from farm marketings increased less than seasonally from July to August, on the basis of preliminary indications of changes in marketings and prices received by farmers. Income from tobacco and from cotton and cottonseed increased less than usual owing to small marketings, and income from grains apparently declined more than seasonally because of unfavorable threshing weather. The seasonal decline in dairy production resulted in a smaller income in August than in July, despite a slight rise in prices; similarly a decline in the slaughter of hogs apparently more than offset the effects of a small rise in prices. Income from other meat animals in August probably was about the same as in July.

Compared to August last year, income in August is estimated to have been higher for all groups of farm commodities except cotton and cottonseed, poultry

and eggs, and tobacco. Tobacco sales were only about half as large as in 1939, as a result of decreased production and late opening of the flue-cured markets. Cotton marketings were small because of a late season. The decline in poultry and eggs marketings was due to smaller numbers of chickens on farms. Prices of all groups of farm commodities except poultry and eggs were higher in August than a year ago, the increases being largest for grains, meat animals, and dairy products.

Farm income for the remainder of 1940 is likely to be about the same as in the corresponding period of 1939, with both prices and the aggregate volume of marketings differing little from those late in 1939. However, marketings of tobacco, fruits, poultry and eggs, and cattle probably will be somewhat smaller than in the final 4 months of last year, whereas income from dairy products will be considerably higher, and marketings of cotton, wheat, lambs and some other products will be up some. Prices of most commodities except grains and perhaps meat animals and truck crops will be higher than they were a year earlier. Government payments probably will be smaller.

COTTON

A further decline of approximately (3/5) cent in domestic spot prices since mid-August reduced Middling 15/16" in the 10 markets to 9.41 cents on September 14. This price was, however, still about 1/5 cent higher than on the corresponding date last year and slightly above the Government loan rate. The improvement in domestic crop prospects no doubt contributed to the price decline. But the unusually small ginnings with the continued shortage of cotton in trade channels, the marked improvement in the sales of unfinished cotton goods, and the 1940 Government loan were important price-supporting factors.

The September estimate of the 1940 domestic crop of 12,772,000 bales (500 pounds gross weight) is 1,343,000 bales larger than the August estimate and nearly 1 million bales larger than the crop of either of the 2 preceding years. This estimate in terms of running bales plus a world carry-over of approximately 12-1/2 million bales gives an indicated world supply of American cotton of about 25 million bales. Such a supply is only about 1/2 million bales less than the near-record supply of the 2 preceding seasons and with these exceptions the largest since 1932-33. Despite the prospective larger crop, ginnings to September 1 were less than half as large as to the same date last year. They were the smallest since 1931.

Domestic sales of unfinished cotton goods increased greatly during September and materially increased manufacturers' unfilled order lists. This is reported to have furthered increased mill activity. In August the seasonally adjusted index of cotton consumption increased to about 124 from 116 in July and 114 in August last year. Domestic mill consumption of 655,000 bales in August was 4 percent larger than in August last year and the largest for the month on record. The demand for domestically produced cotton goods is expected to continue strong. This is due to: (1) Probable large Government purchases for defense and relief, (2) the enlarged Government export subsidy program, (3) increased incomes of domestic consumers, and (4) increased efforts by Government and private agencies to encourage domestic cotton consumption.

United States exports of cotton continued greatly restricted during the past 4 weeks as in the preceding several weeks. In August exports totaled only 65,000 bales compared with 215,000 bales in August last year and a 10-year (1928-37) average of nearly 300,000 bales. For the 2 weeks ended September 12 they totaled only 30,000 bales and were 83 percent less than a year earlier. Exports are now largely restricted to Great Britain, Japan, Canada, and China. Furthermore, in Japan and Canada recent reports state that Brazilian cotton is being offered at prices substantially below those of American cotton of more or less similar quality and that as a result purchases of American cotton are being materially restricted.

British cotton mill activity apparently remained about unchanged during the past 4 weeks, with mill consumption continuing high but considerably lower than in the first part of July. Total mill consumption in the Orient continues relatively low.

WHEAT

Wheat prices probably reached the low for the season on August 16. Prices at Minneapolis and Kansas City are about 7 and 9 cents higher, respectively, than for the week ended August 17. Compared with prices a year ago, which had advanced following the outbreak of the war, prices at these two markets are about 15 cents lower. Computed on the basis of export price values, which indicate the amount United States prices are above "world" price levels, the export indemnity which would be required to export wheat to Europe is now 26-1/2 cents per bushel from Pacific ports, and 24 cents from Gulf ports, compared with 35 cents for both a year ago.

A large proportion of arrivals continue to go into storage. The price of No. 1 Soft White at Portland is about at the loan prices of No. 2 Red at St. Louis and No. 2 Hard Winter at Kansas City are 3-1/2 cents below, respectively, and No. 1 Northern Spring at Minneapolis 11 cents below.

The September 1 estimate of the domestic wheat crop was 23 million bushels larger than that of a month earlier. The crop is now indicated to be about 784 million bushels, which with a July 1, 1940 carry-over estimated at 284 million bushels, indicates a total wheat supply of about 1,068 million bushels. With domestic disappearance expected to be about 700 million bushels, this would leave about 368 million bushels available for export in 1940-41 or for carry-over on July 1, 1941. Export prospects for 1940-41 remain very uncertain. Exports for the season to date are running less than a year ago, which would indicate a reduction from last year. In 1939-40 exports of United States wheat and flour totaled 45 million bushels.

World wheat supplies, excluding those in the Soviet Union and China, for the year beginning July 1, 1940 may be less than 100 million bushels smaller than a year earlier when they totaled about 5,445 million bushels, the largest supply on record. Information on which to base an estimate of supplies is scantier than usual this year, but it appears that the world carry-over on July 1, 1940 was about 215 million bushels larger than the 1,175 million bushels carry-over on July 1, 1939, and the 1940 world crop may be reduced by about 275 million bushels from the large 1939 crop estimated at 4,270 million bushels.

CORN AND OTHER FEED GRAINS

The indicated 1940-41 supply 1/ of feed grains was increased from 113 million tons to 116 million tons from August 1 to September 1. This resulted from indicated increases of 49 million bushels in the corn crop, 85 million bushels in the oats crop, 15 million bushels in the barley crop, and 21 million bushels in the grain sorghums crop. Assuming a decline of 3 or 4 percent in the number of livestock on farms during 1940, the supply per grain-consuming animal unit would be .88 ton compared with .86 last year and .78 for the 1928-32 average. Excluding the corn expected to be sealed or held by the Government on October 1, the supply of feed grains per animal unit would be smaller than the corresponding supply for last year and about the same as for the 1928-32 average.

Indications are that the quality of the 1940 corn crop will be somewhat lower than during the past 2 years, and the danger of having soft corn is greater. The 1940 corn supply is now indicated to be around 2,900 million bushels, or more than 250 million bushels below the supply last year. The supply, excluding the quantity of corn which is expected to remain sealed or held on October 1, will probably be below 2,500 million bushels compared with 2,938 million bushels last year. It was estimated that up to September 9 farmers had paid off their loans on about 61 million bushels of corn, and the Commodity Credit Corporation had disposed of about 29 million bushels, leaving about 468 million bushels sealed or held by the Government. These figures indicate that on October 1 less than 450 million bushels will be under seal or held by the Government.

The Secretary of Agriculture announced on September 12 that no marketing quota would be effective on 1940 corn. September 1 conditions indicated that the 1940-41 supply would be somewhat below the level at which a marketing quota would be effective, which was determined to be 2,930 million bushels. On the basis of present production prospects, if the price of corn on November 15 is below 75 percent of the parity a loan rate will be available to eligible producers at 75 percent of parity. Parity price of corn on August 15 was 81.5 cents per bushel, and 75 percent of the present parity price would be about 61 cents per bushel.

The price of corn has been unusually steady during the past few weeks, reflecting the stabilizing effect of the 1939 loan program. For the week ended September 7, the price of No. 2 Yellow corn at Chicago was 66 cents per bushel, the price of No. 3 White oats 31 cents per bushel, and the price of No. 3 barley at Minneapolis 42 cents per bushel. Prices of all these grains advanced slightly during the past 2 weeks, and are now at about the same level as a month earlier. After the harvesting of the 1940 corn crop, the spreads between the different grades of corn may be somewhat greater than during the past 2 years, as a result of the prospective larger supplies of low quality corn.

1/ Includes July 1 stocks of oats, June 1 stocks of barley, and prospective October 1 stocks of corn, plus production of four feed grains.

HOGS

Slaughter supplies of hogs in the 1940-41 hog-marketing year, which begins October 1, will be materially smaller than the large supply marketed during the current 1939-40 season. This decrease in marketings will reflect the 8-percent reduction in the 1940 spring pig crop and the expected decrease of at least 12 percent in the 1940 fall pig crop.

Hog marketings are beginning to increase seasonally, and this increase will continue during the next 3 months as spring pigs begin to be marketed in large volume. With corn prices high in relation to hog prices, many farmers will market spring pigs early, and a larger than usual proportion of the spring crop may be marketed before January 1. This may mean that hog marketings in the first quarter (October-December) of the 1940-41 marketing year will be about as large as in the first quarter of 1939-40. Should this be the case, the seasonal decrease in hog marketings in the second quarter of the year probably will be considerably more pronounced than in 1939-40. Further, because of the expected greater reduction in the 1940 fall pig crop than in the 1940 spring crop, a greater reduction under a year earlier probably will occur in hog marketing next summer than in preceding months of 1941.

After declining moderately in the last half of July, hog prices advanced steadily during August. They weakened a little in early September but remained well above most previous weeks of 1940. The average price of butcher hogs at Chicago for the week ended September 7 was $7.25 compared with $6.40 for the first week of August, $5.95 for the first week of July, and $8.30 for the corresponding week of 1939. Last year hog prices advanced sharply in the first week of September as a result of the outbreak of war in Europe. Hog prices probably will weaken further this fall as marketings increase seasonally, but they probably will not decline as much as they did last fall.

Hog marketings decreased further during August. Federally inspected slaughter for the month totaled 3,045,000 head, about 5 percent less than in July and 9 percent more than in August last year. For the first 6 months (January-June) of 1940 inspected hog slaughter totaled 27 percent larger than in the corresponding period of 1939. Since midsummer, average weights of hogs marketed have been substantially lighter than a year earlier. This tendency to market hogs at lighter weights may continue during most of 1941.

BEEF CATTLE

The total slaughter supply of cattle and calves to be marketed during 1941 is not expected to be greatly different from the supply marketed in each of the past 2 years. Some decrease in marketings of grain-fed cattle now seems probable for 1941, but marketings of other cattle and calves probably will be a little larger next year than in 1940. Range feed conditions deteriorated considerably during the late summer this year. But except for limited areas, marketings of cattle have not increased materially from the Western States. Marketings of grain-fed cattle will continue large during the remainder of 1940, but probably no larger than in the last few months of 1939. The number of cattle on feed in the Corn Belt on August 1 was 3 percent less than a year earlier, and some further reduction in cattle feeding operations this fall and winter appears likely.

After declining during most of July, prices of all grades of slaughter cattle advanced during August. The July decline was most pronounced for the lower grades of slaughter cattle and the August rise was greatest for the upper grades. Consequently, the spread between prices of the upper and lower grades has widened considerably in recent weeks, which is usually the case in the late summer and fall months. The average price of good grade slaughter steers at Chicago for the week ended September 7 was $11.25 compared with $10.40 a month earlier and $9.40 in mid-June. Prices of the upper grades of slaughter steers in early September were around $1.00 higher than a year earlier, while prices of the lower grades were about the same as in early September last year, or a little lower.

Prices of stocker and feeder cattle have followed the movement of slaughter cattle prices in recent weeks. In early September they were about 50 cents higher than a year earlier but were not so high in relation to prices of the better grades of slaughter cattle.

Slaughter supplies of cattle have increased seasonally since June and some further increase will take place during September and October as the fall movement of western cattle gets under way. Federally inspected slaughter of cattle during August totaled 842,000 head, 2-1/2 percent more than in July and 2 percent more than in August last year. Inspected calf slaughter totaling 432,000 head in August was 6 percent smaller than in July, but it was 4 percent larger than in the corresponding month of 1939.

LAMBS

Slaughter supplies of sheep and lambs during the remainder of the spring lamb marketing season (to December 1) are expected to be somewhat larger than a year earlier. This larger supply will be due chiefly to the 3 percent larger lamb crop this year than last and the relatively slow market movement of lambs from the Native Sheep States earlier in the season. In addition, a larger proportion of the crop will be marketed in slaughter condition this fall than in the fall of 1939 when poor range conditions resulted in the marketing of a large proportion of the western lamb crop in only feeder condition.

Present indications point to fewer lambs being fed in the Corn Belt and western feeding areas this fall and winter than were fed last season. The number of lambs shipped to the Corn Belt last fall for feeding was unusually large because of the large supply of western feeder lambs as well as large Corn Belt supplies of grain available for feeding. Although range conditions deteriorated in late summer, it is likely that the number of lambs marketed as feeders will be smaller this fall than last. The supply of feed grains in the Corn Belt also will be a little smaller than last fall and corn prices may be higher. Returns from lamb feeding operations were for the most part unfavorable last year, and this also will tend to hold down the number fed in the Corn Belt this fall and winter. Feeding operations in Colorado and western Nebraska lamb feeding areas also may be reduced this year because of materially smaller feed production in these areas this year than last.

Lamb prices strengthened considerably during August after an unusually sharp decline in June and July. They weakened a little in early September, however. The average price of good and choice grade slaughter lambs at Chicago for the week ended September 7 was $9.20, compared with $8.35 for the last week of July and $10.30 in the corresponding week of 1939, when prices advanced sharply because of the outbreak of the European war. Prices of feeder lambs also advanced during August and in early September they were a little higher than a year earlier. Inspected slaughter of sheep and lambs totaled 1,489,000 head in August, 3 percent more than in July and 2 percent more than in August last year. In the first 4 months (May-August) of the 1940 lamb-marketing season inspected slaughter exceeded that of the corresponding 1939 period by only 1 percent, despite a 3-percent increase in the spring lamb crop.

WOOL

Domestic wool prices in the next several months will be supported by strong demand for wool in this country. But with imports of wool entering the United States in relatively large quantities prices of wool in the United States during the next several months will depend to a considerable extent on the prices of imported wools. Prices paid for imported wool, in turn, will depend partly upon the quantities of Australian and South African wools released for export and the prices fixed for such wools by the British Government. Relatively large supplies of apparel wool will be available for United States buyers in Argentina and Uruguay.

Mill consumption of apparel wool in the United States in late 1940 and early 1941 is expected to be considerably greater than consumption a year earlier, as Government orders are filled for clothing and blankets for military use. Prospects for the manufacture of wool goods for civilian uses for the next several months are rather uncertain. Should a decrease in such consumption from last year's level occur, it probably would be more than offset by the increased volume of manufacture for Government orders.

Mill consumption in the United States in July exceeded that of the corresponding month a year earlier for the first time since last January. Consumption on a scoured basis in the first 7 months of 1940 was 7 percent smaller than in the same months last year.

The supply of wool in all positions in the United States on August 1 is estimated to be about 40 million pounds larger than a year earlier but the supply is small in relation to probable domestic consumption during the next several months. If mill consumption in the remainder of the 1940 season (to April 1, 1941) is to exceed that of the same period a year earlier by a substantial margin, and if stocks at the end of March are to be fairly well maintained, a larger volume of imports of apparel wool will be necessary in the coming 6 or 7 months than was imported in the same months of last season. In the period August 1939 through March 1940 imports of apparel wool totaled about 120 million pounds.

Prices of most grades of domestic wool at Boston in the first week of September were 1 to 4 cents a pound, scoured basis, higher than a month earlier. Principal factors in the price increase were increased buying of

domestic wool to fill Government orders for wool goods for military use and the announcement that the British Government will take over the current wool clip of the Union of South Africa. In September 1939 the British Government acquired the Australian and New Zealand wool clips for the duration of the war and one clip thereafter.

BUTTER

Prices of butter and other dairy products changed relatively little in the past month. A seasonal rise in prices during the remainder of the year, however, is in prospect. The rise may be somewhat later than usual because of the relatively small decline in milk production from August 1 to September 1. Some of the dairy sections in which dry weather was serious in late July had rains and cool weather during August.

Total production of butter during the current out-of-storage season, September 1, 1940 to May 1, 1941, is expected to be larger than in the same period of 1939-40. There are more cows on farms, feed supplies are ample, and prices of butterfat have been about average in relation to feeds, but somewhat higher in relation to meat animals than a year ago. With a higher level of milk production, production of manufactured dairy products is expected to be heavy, with the largest percentage increases in production of evaporated milk and cheese, and a more moderate increase in butter.

Total cold storage holdings of butter on September 1 were less than a year earlier. The decline, however, was due almost entirely to the reduction in holdings by Government agencies. The changes in stocks and prospective production do not indicate any marked change in total supplies of butter for the 1940-41 season as compared with the 1939-40 season.

With no marked change in total supplies but with a higher level of general business activity in prospect than a year ago it seems probable that butter prices during the current out-of-storage season (September 1, 1940 to May 1, 1941) may average as high as during the same period of 1939-40, if not higher.

POULTRY AND EGGS

Supplies of eggs for the remainder of 1940 are expected to be slightly smaller than a year earlier. Poultry supplies (excluding turkeys) for the same period may be about 5 percent smaller than in the corresponding months of 1939. Supplies of turkeys for the next few months may be smaller than a year earlier since the decline in 1940 turkey production may more than offset the present larger storage stocks of turkeys.

The smaller production of eggs during recent months compared to the May-June peak has resulted in a somewhat larger out-of-storage movement for shell and frozen eggs than in the corresponding months of 1939 and in somewhat higher egg prices, especially during the last several weeks. The average price received by farmers for eggs in mid-August was 17.2 cents, compared to 17.5 a year earlier but wholesale prices advanced substantially in early September. The smaller supplies of eggs and the stronger domestic demand compared to a year earlier are expected to bring about increasing egg prices for

the remainder of 1940 relative to the fall of 1939. The expected smaller supplies of eggs for the remainder of 1940 will be largely the result of fewer layers on farms although the rate of lay may be lowered, also, by less favorable weather in the last 3 months of this year and by the smaller percentage of pullets in laying flocks than a year earlier.

Receipts of dressed poultry at terminal markets during recent weeks have been considerably larger than a year earlier, probably because of the continued heavy marketings of fowl and the sharp increase in marketings of young chickens as a result of the late hatch. These receipts will increase seasonally during the remaining months of 1940 but probably at a slower rate than in 1939 because of this year's smaller hatch. Marketings of poultry for the last half of this year are expected to average smaller than a year earlier and storage stocks on January 1 may be smaller than on January 1, 1940. In mid-August the farm price for chickens was higher than a year earlier for the first time this year; the farm price of turkeys was still lower than in August 1939. The farm price of chickens is expected to continue to rise relative to last year's level but the average price received by farmers for turkeys this coming fall and winter may be little different from a year earlier.

The number of eggs required to buy 100 pounds of poultry ration during the remainder of 1940 may average smaller than a year earlier.

OILSEEDS, FATS AND OILS

The record large production of fats and oils in the United States, together with the marked shrinkage in export outlets for lard, has tended to depress prices of fats and oils in recent months despite improvement in domestic demand. Prices for most fats in August were lower than in July. And except for butter and marine oils, prices for domestic fats, coconut oil, and palm oil were near or below the low levels that prevailed in August 1939.

Supplies of domestically-produced fats in the 1940-41 marketing season are expected to total slightly less than the large supplies of 1939-40. Lard and grease production probably will be substantially smaller than a year earlier, and tallow production also may be reduced. Production of soybean oil and peanut oil, on the other hand, is likely to be increased. The total supply of cottonseed oil probably will be little changed, with increased production being about offset by reduced stocks.

Imports of fats, oils, and oil-bearing materials have been smaller so far in 1940 than a year earlier, chiefly because of the prevailing large supplies and low prices for domestic fats. No material increase in imports seems likely so long as prices for domestic fats continue low.

Domestic demand for food and soap fats, and for drying oils, is expected to be stronger in 1940-41 than in 1939-40, mainly as a result of increased industrial and building activity, arising in part from the defense program. But if the British blockade of continental European markets is continued, abnormally large supplies of such foreign items as coconut oil and copra, palm oil, palm kernels, and flaxseed will remain available for shipment to the United States. Under such circumstances, any rise in prices

for domestic fats would be limited by increased imports. Nevertheless, some improvement in prices for lard, tallow, and greases would seem to be indicated on the basis of the prospective domestic supply and demand situation.

The farm price of cottonseed was higher in August this year than last. Prices rose fairly sharply in September and October last year, following the outbreak of war in Europe. With an increased domestic supply of cottonseed, reduced exports of cake and meal, and increased supplies of peanut and soybean products, as well as linseed meal, no substantial gain in cottonseed prices is now in prospect, despite the improvement expected in domestic demand conditions.

The United States flaxseed crop for 1940 is reported to be of near-record size. Flaxseed import requirements for the 1940-41 season probably will be much below average, even though crushings may be increased. South American supplies of flaxseed are now seasonally small. If the war in Europe continues, such supplies may become burdensome next winter when the new South American crop is harvested. The United States domestic farm price of flaxseed was about the same in August this year as last, but was somewhat below the average for the 1939-40 marketing season. Present indications are that the average price for 1940-41 will be lower than that of a year earlier. But with increased marketings, the total cash income from the 1940 crop may be greater than that from the 1939 crop.

RICE

Prices of rice were not substantially affected by changes in crop prospects during August. Rice prices, after advancing somewhat in late August, are again at about the mid-August level.

The prospective 1940 rice crop was reduced 12 percent in Louisiana and 4 percent in Texas by the tropical storm early in August. A reduction of the crop in the Southern States was partly offset by some improvement in production in California, and the United States total was reduced only 5 percent. The total supply in the Southern States, using the September 1 indicated production and the estimated stocks on August 1, is about the same as a year earlier, when the supply amounted to about 13.7 million barrels (49.3 million bushels). The California crop is indicated to be about 400,000 bushels smaller than the large 1939 crop. A much larger carry-over is in prospect for October 1 this year, and the California supply for 1940-41 may be somewhat larger than the 1939-40 supply.

FRUITS

Only small changes from a month ago in fruit crop prospects were indicated by condition reports as of September 1. The combined production of eight important deciduous fruits is indicated to be about 13 percent smaller than in 1939 and 1 percent below the 5-year (1934-38) average. Production prospects are lower than a year earlier for apples, peaches, grapes, cherries, apricots, and prunes but higher for pears and plums. Although it is too early to forecast citrus production, recent reports indicate prospects for larger crops than in 1939.

Marketings of the early soft fruits are about completed but those of apples, late peachds, pears, fresh prunes and grapes are in full swing. The commercial apple crop is indicated to total 115 million bushels this season compared with 143 million last season. The early crop was unusually small and resulted in relatively high early season prices. Production prospects of fall varieties are generally below average while those for late varieties are extremely variable.

The pear crop is indicated to total 32 million bushels this season or slightly larger than that of 1939. The Bartlett crop in the Pacific Coast States is indicated to be slightly smaller than a year earlier but the production of late varieties, a large portion of which is normally exported, is larger. Also the production of all varieties in the other States is slightly larger than in 1939. The harvest of the Bartletts is well advanced amd market prices have risen slightly in recent weeks. Prices to date, however, have averaged somewhat lower than during the corresponding period last season.

Harvest of the late peach crop is getting started late this season and the crop is indicated to be about 5 million bushels smaller than a year earlier. Good crops are indicated in the Eastern and Western late States but a near-crop failure is reported in some of the Central States.

TRUCK CROPS

Cooler temperatures and good rains during late August improved the prospect for truck crops in many of the late producing areas. Early frost did some damage, however, in scattered areas of the Northeast. Also moisture is still deficient in portions of the North Central States and a shortage of irrigation water is reported for the Rocky Mountain area. Plantings for the fall and winter markets are making good progress in the South and in California.

Production of commercial truck crops in the areas supplying the markets in September is indicated to be slightly larger than a year earlier and about 16 percent larger than the 10-year (1929-38) average. There were declines in prospects for domestic cabbage, onions, and tomatoes but these crops still give promise of ample supplies. Increases over a year ago in the output of late snap beans, beets, Danish cabbage, carrots, cauliflower, and celery are indicated. Larger plantings of late cauliflower and of fall lettuce are indicated.

Market prices of truck crops declined seasonally in August but in early September were about at the low point of the season. They were generally above those of the corresponding period of 1939. Prices of lima beans, broccoli, cantaloups, western carrots, celery, green corn, peas, and spinach averaged slightly higher than a month ago but those of many other important vegetables were lower. As compared with a year earlier, prices of lima beans, broccoli, cantaloups, green corn, onions, peas, and tomatoes were materially higher in early September.

POTATOES

Market prices of potatoes rose slightly during August as rainy weather delayed the harvest in some States, but most of the price rise was lost in early September. Unless the late crop prospect continues to increase as it did in August, however, it is probable that the seasonal low point of prices in eastern markets has been passed. With the harvest of the bulk of the late crop in the late Central and Western States just starting, it is likely that the seasonal low in middle western markets is yet to come.

The indicated production in the late States as of September 1 totals 298 million bushels compared with the forecast of 290 million bushels a month earlier. Most of the gains in production prospects occurred in the Central States, although there were slight increases in both the eastern and western groups of States. As compared with last year's output, the late potato crop is slightly larger this season in the eastern and central groups, but slightly smaller in the West.

Prospects showed no improvement in Maine, where a heavy infestation of aphis and flea beetles has killed the vines in many fields. Early frost caused some damage in Pennsylvania and New York, but this damage was more than offset by good rains. Ample rains and cool temperatures improved prospects in the five surplus Central States, and in Nebraska. Because of extensive use of pumped water in Colorado, the potato crop has made good progress. It was too hot for potatoes in Idaho. In the dry land areas of the Pacific Coast the potato crop needs rain but the irrigated fields show good prospects.

ECONOMIC TRENDS AFFECTING AGRICULTURE

INDEX NUMBERS. INDICATED BASE PERIOD = 100

YEAR AND MONTH	INDUSTRIAL PRODUCTION 1/	CONSTRUCTION CONTRACTS AWARDED 1/	FACTORY EMPLOYMENT 2/	FACTORY PAYROLLS 2/	INCOME OF INDUSTRIAL WORKERS 3/	VOLUME OF AGRICULTURAL EXPORTS 4/	WHOLESALE PRICES OF ALL COMMODITIES 5/	RETAIL FOOD PRICES 6/	PRICES RECEIVED BY FARMERS 7/	PRICES PAID BY FARMERS	RATIO OF PRICES RECEIVED TO PRICES PAID	CASH INCOME FROM FARM MARKETINGS 8/
Base Period	*1935-39*	*1923-25*	*1923-25*	*1923-25*	*1924-29*	*1910-14*	*1910-14*	*1913*	*1910-14*	*1910-14*	*1910-14*	*1924-29*
1929	110	117	106	110	107	107	139	166	146	153	95	104
1930	91	92	92	89	88	82	126	158	126	145	87	83
1931	75	63	78	68	67	88	107	130	87	124	70	58
1932	58	28	66	47	46	94	95	108	65	107	61	44
1933	69	25	73	50	48	85	96	105	70	109	64	49
1934	75	32	86	64	61	66	109	117	90	123	73	58
1935	87	37	91	74	69	61	117	126	108	125	86	65
1936	103	55	99	86	80	55	118	127	114	124	92	76
1937	113	59	109	102	94	65	126	132	121	130	93	81
1938	88	64	90	78	73	75	115	122	95	122	78	71
1939	108	72	97	91	83	65	113	119	93	121	77	72
1939-												
Jan.	102	86	95	87	80	61	112	120	94	120	78	76
Feb.	101	73	94	86	79	66	112	119	92	120	77	73
Mar.	101	69	94	85	79	69	112	118	91	120	76	72
Apr.	97	67	94	84	75	55	111	118	89	120	74	68
May	97	63	93	84	75	62	111	118	90	120	75	70
June	102	63	94	86	80	46	110	117	89	120	74	64
July	104	67	95	87	80	51	110	118	89	120	74	63
Aug.	104	73	96	90	83	63	109	117	88	119	74	66
Sept.	113	73	98	93	86	81	115	123	98	122	80	74
Oct.	121	76	101	100	91	82	116	122	97	122	80	76
Nov.	124	83	103	103	93	56	116	121	97	122	80	76
Dec.	126	86	105	104	93	75	116	119	96	122	79	79
1940-												
Jan.	122	75	104	102	93	105	116	119	99	122	81	79
Feb.	116	63	102	98	89	104	115	121	101	122	83	84
Mar.	112	62	100	95	87	68	114	120	97	123	79	76
Apr.	111	64	99	95	86	61	115	120	98	123	80	82
May	114	64	99	95	87	47	114	121	98	123	80	80
June	121	74	100	98	89	44	113	123	95	123	77	70
July 9	121	81	101	100	91	47	113	122	95	122	78	70
Aug. 9							113	120	96	122	79	

1 Federal Reserve Board, adjusted for seasonal variation. Industrial production revised August 1940.

2 Bureau of Labor Statistics, adjusted for seasonal variation (employment adjusted by Federal Reserve and payrolls by Bureau of Agricultural Economics).

3 Adjusted for seasonal variation. Includes factory, railroad, and mining employees.

4 Foreign Agricultural Relations, July 1909-June 1914 = 100, adjusted for seasonal variation.

5 Bureau of Labor Statistics, 1926 = 100, converted to 1910-14 = 100.

6 Bureau of Labor Statistics, 1935-39 = 100, converted to 1913 = 100. Revised series beginning 1935.

7 August 1909-July 1914 = 100.

8 Adjusted for seasonal variation. Revised March 1940.

9 Preliminary.

Note: In comparing trends between industrial production and industrial workers' income, as indicated by the above index numbers, notice should be taken of the different base periods used, and of the fact that income of railway workers, as well as incomes of mining and factory workers, is included in the index of industrial workers' income, whereas the industrial production index is based on mining and manufacturing only. Similar precautions are necessary in comparing trends between industrial production and factory employment and payrolls. Another consideration of importance is that the production index is based on volume, whereas the income indexes are affected by changes in wage rates as well as by time worked. In comparing monthly indexes it is important to keep in mind the fact that there is usually a time lag between changes in volume of production and similar changes in employment and in workers' income.